

ASSEMBLY BILL

No. 961

**Introduced by Committee on Higher Education (Liu (Chair),
Shirley Horton, Matthews, Nava, and Ruskin)**

February 18, 2005

An act to amend Sections 69980, 69981, 69982, 69983, 69984, 69986, 69989, 69990, 69992, 69993, and 70901.1 of, and to add Section 94103 to, the Education Code, relating to postsecondary education.

LEGISLATIVE COUNSEL'S DIGEST

AB 961, as introduced, Committee on Higher Education. Postsecondary education: Golden State Scholarshare Trust: Board of Governors of the California Community Colleges: California Educational Facilities Authority.

(1) The Golden State Scholarshare Trust Act establishes the Golden State Scholarshare Trust, under the administration of the Scholarshare Investment Board, to provide financial aid for postsecondary education costs of participating students. The act authorizes the board to appoint a program administrator and determine his or her duties and compensation. The act authorizes the program administrator to enter into contracts on behalf of the board.

This bill would delete those provisions relating to a program administrator and, instead, authorize the board to appoint an executive director with similar powers. The bill would also authorize the executive director to conduct any business necessary for efficient operations of the board. The bill would additionally authorize the board to delegate functions to investment managers, and would make related conforming changes.

(2) The act requires that participants in the program be permitted to makeup payments, in full or in part, for years in which they were eligible to contribute, but did not, for the benefit of a designated beneficiary. The act authorizes the amendment of participation agreements to provide for adjusted levels of payments based upon changed circumstances or changes in educational plans. The act requires that participation agreements be freely amended throughout their terms to enable participants to increase or decrease the level of participation.

The bill would delete the makeup payment provision, delete the participation agreement payment adjustment option for changed circumstances or changes in educational plans, and delete the participation level adjustment provision.

(3) The act requires program administrators to develop adequate measures to prevent certain excess contributions, to pay the balance of a participant's account to the participant under certain circumstances, to develop a method to make payment of qualified higher education expenses directly to higher education institutions for the benefit of designated beneficiaries and to control for fraud under any direct reimbursement method of payment. The act authorizes program administrators to develop a method to make payment of qualified higher education expenses directly to beneficiaries in a manner that is consistent with applicable federal requirements and restrictions.

The bill would delete references to program administrators, and instead impose the described responsibilities and powers on the board. The bill would delete that provision requiring the development of measures to prevent excess contributions.

(4) The act requires the board to submit an annual audited financial report on the operations of the trust by September 30.

This bill would change that date to October 31.

(5) The act requires the trust to provide an annual listing to the Franchise Tax Board on magnetic tape or other machine-readable form, and in a manner agreed upon by the Franchise Tax Board and the Scholarshare trust, of all distributions, including payment of benefits and refunds, to any individual with respect to an interest in a participation agreement. The act requires the listing to include the names, addresses, tax identification numbers, and type and amounts of each distribution, including interest earned and penalties imposed. The act requires the trust to make a report to each participant or beneficiary of the type and amount of each distribution, including

payment of benefits and refunds. The act requires the trust to report annually to each participant or beneficiary on the investment goal the participant will achieve if all future contributions with respect to that beneficiary are timely made.

The bill would specifically impose those requirements and other trust responsibilities on the board. The bill modifies the annual listing requirement to instead require an annual listing of distributions to individuals with respect to an interest in a participation agreement to the Franchise Tax Board at a time and in a manner and form as specified by the Franchise Tax Board. The bill would modify the individual report requirement to require the board to make a report to the appropriate individual of any distribution to any individual with respect to an interest in a participation agreement, at a time and in a form and manner as required by the Franchise Tax Board. The bill would delete the individual investment goal reporting requirement, and instead would require the board's report to include information on investments and education costs that participants can use to set savings goals and contribution amounts.

(6) Existing law establishes the California Community Colleges under the administration of the Board of Governors of the California Community Colleges. Existing law also establishes community college districts and authorizes them to provide instruction at campuses throughout the state.

Existing law requires the board of governors, upon adoption of a standard of encrypted digital signatures by the Secretary of State, to adopt regulations that permit the governing board of a community college district to allow student residency forms to be submitted electronically.

This bill would delete this requirement.

(7) Existing law establishes the California Educational Facilities Authority Act, the purpose of which is to provide private institutions of higher education within the state an additional means by which to expand, enlarge, and establish dormitory, academic, faculty and staff housing, and related facilities, finance those facilities, refinance existing facilities, and to provide private and public institutions of higher education within the state an additional means to assist students in financing their costs of attendance.

This bill would specify that only the authority is responsible for the administration, pursuant to the act, of the state's participation in the Federal Family Education Loan Program. The bill would prohibit a

city, county, city and county, district, or other local jurisdiction from operating, authorizing, or requesting a corporation or agency to conduct operations for this purpose.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 69980 of the Education Code is
2 amended to read:
3 69980. As used in this article, the following terms have the
4 following meanings, unless the context requires otherwise:
5 (a) ~~“Act” or “Scholarshare trust,” or “trust,” “Scholarshare,”~~
6 ~~“or Golden State Scholarshare College Savings Trust”~~ means
7 the Golden State Scholarshare Trust ~~Act established pursuant to~~
8 ~~this act.~~
9 (b) “Administrative fund” means the funds used to administer
10 the Golden State Scholarshare Trust Act.
11 (c) “Beneficiary” has the same meaning as “designated
12 beneficiary,” as provided in paragraph (1) of subsection (e) of
13 Section 529 of the Internal Revenue Code of 1986, as it is
14 amended from time to time, if, as determined by the board, the
15 amendment is consistent with the purposes of this article.
16 (d) “Benefits” means the payment of higher education
17 expenses on behalf of a beneficiary by the Scholarshare trust
18 during the beneficiary’s attendance at an institution of higher
19 education.
20 (e) “Board” means the Scholarshare Investment Board
21 established pursuant to subparagraph (B) of paragraph (2) of
22 subdivision (a) of Section 69984.
23 (f) ~~“Golden State Scholarshare Trust” or “Scholarshare trust”~~
24 ~~means the trust created pursuant to this act.~~ “Executive director”
25 means the administrator of the Scholarshare trust appointed by
26 the board to administer and manage the trust.
27 (g) “Institution of higher education” has the same meaning as
28 “eligible educational institution,” as provided in paragraph (5) of
29 subsection (e) of Section 529 of the Internal Revenue Code of
30 1986, as it is amended from time to time, if, as determined by the
31 board, the amendment is consistent with the purposes of this
32 article.

(h) “Investment manager” means a manager contracted to perform functions delegated by the board.

(i) “Participant” means an individual, trust, estate, partnership, association, company or corporation, a custodian under the California Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act ~~(Part 9 (commencing with Section 3900) of Division 4 of the Probate Code)~~, a state or local government agency, or a legal representative of a participant who has entered into a participation agreement pursuant to this act. “Participant” also means an account owner.

~~(j) “Participation agreement” means an agreement between a participant and the Scholarshare trust, pursuant to this act.~~

~~(j) “Program administrator” means the administrator of the Scholarshare trust appointed by the board to administer and manage the trust.~~

(k) “Program fund” means the program fund established by this act, which shall be held as a separate fund within the Scholarshare trust.

(l) “Qualified higher education expenses” means the expenses of attendance at an institution of higher education as provided in paragraph (3) of subsection (e) of Section 529 of the Internal Revenue Code of 1986, as it is amended from time to time, if, as determined by the board, the amendment is consistent with the purposes of this article, and as determined and certified by the institution of higher education in the same manner as prescribed in Title IV of the Higher Education Act of 1965 (20 U.S.C. Sec. 1087ll, as amended).

(m) “Tuition and fees” means the quarterly or semester charges imposed to attend an institution of higher education and required as a condition of enrollment.

SEC. 2. Section 69981 of the Education Code is amended to read:

69981. (a) There is hereby created an instrumentality of the State of California to be known as the Golden State Scholarshare Trust.

(b) The purposes, powers, and duties of the trust are vested in, and shall be exercised by, the board.

(c) The board, in the capacity of trustee, shall have the power and authority to do all of the following:

- 1 (1) Sue and be sued.
- 2 (2) Make and enter into contracts necessary for the
- 3 administration of the ~~scholarshare~~ *Scholarshare* trust.
- 4 (3) Adopt a corporate seal and change and amend it from time
- 5 to time.
- 6 (4) Cause moneys in the program fund to be held and invested
- 7 and reinvested.
- 8 (5) Enter into agreements with any institution of higher
- 9 education or any federal or other state agency or other entity as
- 10 required for the effectuation of its rights and duties.
- 11 (6) Accept any grants, gifts, appropriation, and other moneys
- 12 from any unit of federal, state, or local government or any other
- 13 person, firm, partnership, or corporation for deposit to the
- 14 administrative fund or the program fund. Except as otherwise
- 15 provided in Section 69982, the trust may not accept any
- 16 contribution by any nonpublic entity, person, firm, partnership,
- 17 or corporation that is not designated for a specified beneficiary.
- 18 (7) Enter into participation agreements with participants, as set
- 19 forth in Section 69983.
- 20 (8) Make payments to institutions of higher education pursuant
- 21 to participation agreements on behalf of beneficiaries.
- 22 (9) Make refunds to participants upon the cancellation of
- 23 participation agreements pursuant to the provisions, limitations,
- 24 and restrictions set forth in this article.
- 25 (10) Appoint ~~a program administrator~~ *an executive director*,
- 26 *who shall serve at the pleasure of the board*, and determine the
- 27 duties of the ~~program administrator~~ *executive director* and other
- 28 staff as necessary and set their compensation. The board may
- 29 authorize the ~~program administrator~~ *executive director* to enter
- 30 into contracts on behalf of the board *or conduct any business*
- 31 *necessary for the efficient operation of the board*.
- 32 (11) *Delegate functions to investment managers.*
- 33 ~~(11)~~
- 34 (12) Make provisions for the payment of costs of
- 35 administration and operation of the ~~scholarshare~~ *Scholarshare*
- 36 trust.
- 37 ~~(12)~~
- 38 (13) Carry out the duties and obligations of the ~~scholarshare~~
- 39 *Scholarshare* trust pursuant to this article and have any and all
- 40 other powers as may be reasonably necessary for the effectuation

1 of the purposes, objectives, and provisions of this article
2 pertaining to the ~~Scholarshare~~ *Scholarshare* trust, as set forth in
3 Section 69982.

4 (d) The board shall adopt regulations as it deems necessary to
5 implement this article and Article 20 (commencing with Section
6 69995) consistent with the federal Internal Revenue Code and
7 regulations issued pursuant to that code to ensure that this
8 program meets all criteria for federal tax-deferral or tax-exempt
9 benefits, or both.

10 SEC. 3. Section 69982 of the Education Code is amended to
11 read:

12 69982. In addition to effectuating and carrying out all of the
13 powers granted by this act, the board shall have all powers
14 reasonably necessary to carry out and effectuate the purposes,
15 objectives, and provisions of this act pertaining to the
16 Scholarshare trust, including, but not necessarily limited to, the
17 power to do all of the following:

18 (a) Carry out studies and projections in order to advise
19 participants regarding present and estimated future higher
20 education expenses and the levels of financial participation in the
21 trust required in order to enable participants to achieve their
22 education funding objectives.

23 (b) Contract for goods and services and engage personnel,
24 including consultants, actuaries, managers, counsel, and auditors,
25 as necessary for the purpose of rendering professional,
26 managerial, and technical assistance and advice.

27 (c) Participate in any other way in any federal, state, or local
28 governmental program for the benefit of the Scholarshare trust.

29 (d) Promulgate, impose, and collect administrative fees and
30 charges in connection with transactions of the Scholarshare trust,
31 and provide for reasonable service charges, including penalties
32 for cancellations.

33 (e) Procure insurance against any loss in connection with the
34 property, assets, or activities of the Scholarshare trust.

35 (f) Administer the funds of the Scholarshare trust.

36 (g) Procure insurance indemnifying any member of the board
37 from personal loss or liability resulting from a member's action
38 or inaction as a member of the board.

39 (h) Adopt reasonable regulations for the administration of the
40 Scholarshare trust.

1 (i) Set minimum and maximum investment levels.

2 (j) (1) Except as otherwise provided in this section, the overall
3 maximum investment level for a designated beneficiary shall not
4 exceed the amount equivalent to the maximum estimated
5 qualified higher education expenses, as defined by subdivision (I)
6 of Section 69980 and established by the ~~trust~~ *board*, that can be
7 incurred by a beneficiary. The maximum investment level shall
8 be published by the ~~trust~~ *board* as a monetary amount, in order to
9 state contribution limits clearly and to encourage participation on
10 behalf of beneficiaries who will attend all types of higher
11 education institutions, both public and independent.

12 ~~(2) Participants shall be permitted to make up payments, in~~
13 ~~full or in part, for years in which they were eligible to contribute,~~
14 ~~but did not, including years prior to the enactment of this section,~~
15 ~~for the benefit of a designated beneficiary.~~ Contributions by
16 entities exempt from taxation pursuant to Section 501(c)(3) of the
17 Internal Revenue Code and state and local government agencies
18 operating bona fide scholarship programs for the benefit of
19 beneficiaries to be named when the scholarships are awarded are
20 not subject to maximum contribution limits.

21 SEC. 4. Section 69983 of the Education Code is amended to
22 read:

23 69983. The Scholarshare trust may enter into participation
24 agreements with participants on behalf of beneficiaries pursuant
25 to the following terms and agreements:

26 (a) The board may specify a required minimum length of time
27 before distributions for higher education expenses may be made,
28 and may impose a penalty on the early distribution of funds if
29 deemed by the ~~trust~~ *board* to be necessary.

30 ~~(b) Participation agreements may be amended to provide for~~
31 ~~adjusted levels of payments based upon changed circumstances~~
32 ~~or changes in educational plans.~~

33 ~~(c)~~ Beneficiaries designated in participation agreements may
34 be designated from date of birth.

35 ~~(d)~~

36 (c) Participants shall be informed that the execution of a
37 participation agreement by the trust shall not guarantee in any
38 way that higher education expenses will be equal to projections
39 and estimates provided by the trust or that the beneficiary named
40 in any participation agreement will do any of the following:

1 (1) Be admitted to an institution of higher education.

2 (2) If admitted, be determined a resident for tuition purposes
3 by the institution of higher education.

4 (3) Be allowed to continue attendance at the institution of
5 higher education following admission.

6 (4) Graduate from the institution of higher education.

7 (5) Have sufficient savings to cover fully all qualified
8 education expenses of attending an institution of higher
9 education.

10 ~~(e)~~

11 ~~(d)~~ Beneficiaries may be changed as permitted by the
12 regulations of the board upon request of the participant, provided
13 that the substitute beneficiary is eligible.

14 ~~(f)~~

15 ~~(e)~~ Participation agreements shall be freely amended
16 throughout their terms in order to enable participants to ~~increase~~
17 ~~or decrease the level of participation~~; change the designation of
18 beneficiaries; and carry out similar matters.

19 ~~(g)~~

20 ~~(f)~~ Each participation agreement shall provide that the
21 participation agreement may be canceled upon the terms and
22 conditions set forth and contained in the regulations adopted by
23 the board.

24 ~~(h)~~

25 ~~(g)~~ All contributions to Scholarshare accounts shall be in cash.

26 SEC. 5. Section 69984 of the Education Code is amended to
27 read:

28 69984. (a) (1) The board shall segregate moneys received by
29 the Scholarshare trust into two funds, which shall be identified as
30 the program fund and the administrative fund. Notwithstanding
31 Section 13340 of the Government Code, the program fund is
32 hereby continuously appropriated, without regard to fiscal years,
33 to the board for the purposes of this article. Funds in the
34 administrative fund shall be available for expenditure, upon
35 appropriation, for the purposes specified in this article.

36 (2) (A) ~~The trust~~ board shall separately account for any
37 moneys received by an entity exempt from taxation under
38 Section 501(c)(3) of the Internal Revenue Code or a state or local
39 government agency, depositing the money for the benefit of a

1 beneficiary to be named later pursuant to the operation of a bona
2 fide scholarship program.

3 (B) There is hereby created the Scholarshare Investment
4 Board, which consists of the Treasurer, the Director of Finance,
5 the Secretary of Education, a member of the Student Aid
6 Commission appointed by the Governor, a member of the public
7 appointed by the Governor, a representative from a California
8 public institution of higher education appointed by the Senate
9 Committee on Rules, and a representative from a California
10 independent college or university or a state-approved college,
11 university, or vocational/technical school appointed by the
12 Speaker of the Assembly. The Treasurer shall serve as chair of
13 the board. ~~The board shall appoint an administrator of the~~
14 ~~program who shall serve at the pleasure of the board.~~ The board
15 shall annually prepare and adopt a written statement of
16 investment policy. The board shall consider the statement of
17 investment policy and any changes in the investment policy at a
18 public hearing. The board shall approve the investment
19 management entity or entities consistent with subparagraph ~~(C)~~
20 ~~(D)~~. ~~Not~~

21 ~~(C) Not later than 30 days after the close of each month there~~
22 ~~shall be placed, the investment manager shall place on file for~~
23 ~~public inspection during business hours a report with respect to~~
24 ~~investments made pursuant to this section and a report of~~
25 ~~deposits in financial institutions investment performance.~~ The
26 investment manager shall report the following information, *to the*
27 *extent applicable*, to the board within 30 days following the end
28 of each month:

29 (i) The type of investment, name of the issuer, date of
30 maturity, par and dollar amount invested in each security,
31 investment, and money within the program fund.

32 (ii) The weighted average maturity of the investments within
33 the program fund.

34 (iii) Any amounts in the program fund that are under the
35 management of ~~private money managers~~ *an investment manager*.

36 (iv) The market value as of the date of the report and the
37 source of this valuation for any security within the program fund.

38 (v) A description of the compliance with the statement of
39 investment policy.

40 ~~(C)~~

1 (D) Moneys in the program fund may be invested or
2 reinvested by the Treasurer or may be invested in whole or in
3 part under contract with ~~private money managers~~ *an investment*
4 *manager*, as determined by the ~~Scholarshare Investment Board~~
5 *board*.

6 (b) Transfers may be made from the program fund to the
7 administrative fund for the purpose of paying operating costs
8 associated with administering the trust and as required by this
9 act. On an annual basis, expenditures from the administrative
10 fund shall not exceed more than 1 percent of the total program
11 fund. All costs of administration of the trust shall be paid out of
12 the ~~administration~~ *administrative* fund.

13 (c) All moneys paid by participants in connection with
14 participation agreements shall be deposited as received into the
15 program fund and shall be promptly invested and accounted for
16 separately. Deposits and interest thereon accumulated on behalf
17 of participants in the program fund of the Scholarshare trust may
18 be used for payments to any institution of higher education.

19 SEC. 6. Section 69986 of the Education Code is amended to
20 read:

21 69986. For all purposes of California law, the following
22 apply:

23 (a) The participant shall retain ownership of all contributions
24 made under any participation agreement up to the date of
25 utilization for payment of higher education costs for the
26 beneficiary, and all interest derived from the investment of the
27 payments made by the participant shall be deemed to be held in
28 trust for the benefit of the beneficiary. Neither the contributions,
29 nor any interest derived therefrom, may be pledged as collateral
30 for any loan.

31 (b) In the event the participation agreement is canceled prior to
32 payment of higher education expenses for the beneficiary, the
33 participant shall retain ownership of all contributions made under
34 the participation agreement and reversionary right to receive
35 interest on all the contributions at the rate of interest at which the
36 contributions were invested.

37 (c) Notwithstanding subdivision (b), if there has been a
38 decrease in the value of the funds in a participant's account at the
39 time of cancellation of the participation agreement, the
40 participant shall not have ownership rights to any amount above

1 the market value of the funds in the account at the time of
2 cancellation.

3 ~~(d) Program administrators~~*The board* shall develop adequate
4 measures to prevent contributions on behalf of a designated
5 beneficiary ~~in excess of those necessary to provide for the~~
6 ~~qualified higher education expenses of the beneficiary or in~~
7 excess of the maximum contribution limits provided for in this
8 article.

9 (e) If the beneficiary graduates from an institution of higher
10 education and has no intention of further attendance at an
11 institution of higher education, and a balance remains in the
12 participant's account, then the ~~program administrator~~
13 *Scholarshare trust* shall pay the balance to the participant.

14 (f) ~~Program administrators~~*The board* shall develop a method
15 to make payment of qualified higher education expenses directly
16 to higher education institutions for the benefit of designated
17 beneficiaries and to control for fraud under any direct
18 reimbursement method of payment that it may adopt. The
19 institution of higher education shall obtain ownership of the
20 payments made for the higher education expenses paid to the
21 institution at the time each payment is made to the institution.

22 (g) ~~Program administrators~~*The board* may also develop a
23 method to make payment of qualified higher education expenses
24 directly to beneficiaries in a manner that is consistent with
25 applicable federal requirements and restrictions.

26 (h) Any amounts paid pursuant to the Golden State
27 Scholarshare Trust that are not listed in this section shall be
28 owned by the trust.

29 (i) A participant may transfer ownership rights to another
30 eligible participant, including, but not necessarily limited to, a
31 gift of the ownership rights to an eligible minor beneficiary
32 pursuant to this act. The transfer shall be effected and the
33 property distributed in accordance with administrative
34 regulations adopted by the board or the terms of the participation
35 agreement.

36 (j) Custodians *for a minor* under the ~~California~~ *Uniform Gifts*
37 *to Minors Act or the* Uniform Transfers to Minors Act ~~(Part 9~~
38 ~~(commencing with Section 3900) of Division 4 of the Probate~~
39 ~~Code)~~ may enter into participation agreements in accordance
40 with regulations adopted by the board.

SEC. 7. Section 69989 of the Education Code is amended to read:

69989. (a) The board shall submit an annual audited financial report, prepared in accordance with generally accepted accounting principles, on the operations of the Scholarshare trust by ~~September 30~~ *October 31* to the Governor, the Controller, the State Auditor, and the Legislature. The annual audit shall be made by an independent certified public accountant and shall include, but not be limited to, direct and indirect costs attributable to the use of outside consultants, independent contractors, and any other persons who are not state employees. Any contributions to the Scholarshare trust fund that are not directed to a specified beneficiary shall be accounted for and treated separately in the annual audit.

(b) The annual audit shall be supplemented by the following information prepared by the board:

(1) Any studies or evaluations prepared in the preceding year.

(2) A summary of the benefits provided by the trusts including the number of participants and beneficiaries in the trust.

(3) Any other information that is relevant in order to make a full, fair, and effective disclosure of the operations of the Scholarshare trust.

SEC. 8. Section 69990 of the Education Code is amended to read:

69990. (a) ~~The trust board shall provide an annual listing of distributions to individuals with respect to an interest in a participation agreement to the Franchise Tax Board on magnetic tape or other machine-readable form, and in a manner agreed upon by the Franchise Tax Board and the Scholarshare trust, of all distributions, including payment of benefits and refunds, to any individual with respect to an interest in a participation agreement. The listing shall include the names, addresses, tax identification numbers, and type and amounts of each distribution, including interest earned and penalties imposed at a time and in a manner and form as specified by the Franchise Tax Board. The taxpayer's taxpayers' identification numbers obtained through the participation agreement process shall be used exclusively for state and federal tax administration purposes.~~

(b) ~~The trust shall make a report to each participant or beneficiary of the type and amount of each distribution, including~~

~~payment of benefits and refunds. The board shall make a report to the appropriate individual of any distribution to any individual with respect to an interest in a participation agreement, at a time and in a form and manner as required by the Franchise Tax Board.~~

(c) ~~The trust board~~ also shall report annually ~~by March 1~~ to each participant or beneficiary all of the following:

(1) The value of the beneficiary's account.

(2) The interest earned thereon.

(3) The rate of return of the investments in the beneficiary's account for that reporting period.

~~(4) The investment goal the participant will achieve if all future contributions with respect to that beneficiary are timely made. Information on investments and education costs that participants can use to set savings goals and contribution amounts.~~

(5) Information regarding the trends in qualified higher education expenses at the state's public segments of higher education, which shall include, but need not be limited to, the following:

(A) The actual increase or decrease in qualified higher education expenses in the prior year.

(B) To the extent possible, any proposals by the segments to increase or decrease fees or tuition in the next fiscal year.

(C) To the extent possible, any proposals by the Legislature or the Governor to increase or decrease fees or tuition in the next fiscal year.

(D) An Internet Web site and toll-free telephone number where the names of the State Senator and Assembly Member who represent the district in which the participant or beneficiary resides, and a business address and telephone number where they may be reached, may be accessed.

(d) ~~The trust board~~, as an advocate for affordable higher education opportunities for participants and beneficiaries of the program, shall also provide a means for participants or beneficiaries to express concerns or comments regarding the Scholarshare trust program and any information required to be reported by this section.

SEC. 9. Section 69992 of the Education Code is amended to read:

69992. The ~~trust~~ *board* shall aggressively market this program to the citizens of the State of California. The ~~trust~~ *board* shall include in its marketing efforts information designed to educate citizens about the benefits of saving for higher education and information to help them decide the level of Scholarshare participation and the combination of savings strategies that may be appropriate for them. The ~~trust~~ *board* shall also develop a mechanism to keep participants in this program motivated about their current and future academic endeavors.

SEC. 10. Section 69993 of the Education Code is amended to read:

69993. Funding for startup and first-year administrative costs shall be appropriated from the General Fund in the annual Budget Act. The ~~trust~~ *board* shall repay, within five years, the amount appropriated plus interest calculated at the rate earned by the Pooled Money Investment Account. Necessary administrative costs in future years shall be paid out of the administrative fund.

SEC. 11. Section 70901.1 of the Education Code is amended to read:

70901.1. ~~(a)~~ The Board of Governors of the California Community Colleges shall adopt regulations that permit the governing board of a community college district to allow applications for admission to be submitted electronically. The regulations shall require that applicants be informed of the relative security of the information they submit electronically.

~~(b) Upon adoption of a standard of encrypted digital signatures by the Secretary of State, the Board of Governors of the California Community Colleges shall adopt regulations that permit the governing board of a community college district to allow student residency determination forms to be submitted electronically.~~

SEC. 12. Section 94103 is added to the Education Code, to read:

94103. The authority is responsible for the administration, pursuant to this chapter, of the state's participation in the Federal Family Education Loan Program established under Title IV of the federal Higher Education Act of 1965. No city, county, city and county, district, or other local jurisdiction shall operate, authorize, or request a corporation or agency to conduct operations for this purpose.

O